

**COUNCIL ACTION FORM**

**SUBJECT: PROPOSED REVISIONS TO PURCHASING POLICIES**

**BACKGROUND:**

A review of the City's purchasing policies and procedures generally is done every two years. The last major revisions were effective April 1, 2011. Instead of a large revision every two years, it is staff's intent to periodically provide revisions to the Purchasing Policies as the need arises.

As part of Purchasing's service objectives, staff will recommend policies and procedures that comply with applicable laws and regulations, protect the interests of the City, and enable City programs to provide cost-effective services to the public. Two specific areas of revision are directed at the public improvement bid thresholds and sales tax exemption certificate for construction contracts.

**Public Improvement Bid Thresholds**

Iowa Code Section 314.1B establishes horizontal and vertical bid threshold subcommittees that meet every other year to establish the bid and quote thresholds for city and county projects. The subcommittee has begun to raise the bid threshold for construction projects and the City would like to follow the statutory limits set by them. To accomplish this, the City's purchasing policy will be modified to allow public improvement bid threshold to be set by this subcommittee. The City Council will be notified by staff in December of each year when the bid thresholds change and what the new limits will be. The changes to the bid thresholds become effective January 1 of the year following the year after the adjustment is made. Currently the City's bid threshold is set by the City's purchasing policy at \$50,000 for horizontal construction and \$100,000 for vertical construction. Proposed revisions are listed below.

<b>Year Effective</b>	<b>Threshold</b>	<b>Horizontal Infrastructure Cities &gt; 50,000 population</b>	<b>Vertical Infrastructure Cities &gt; 50,000 population</b>
2012	Competitive bid	\$67,000	\$125,000
2012	Competitive Quote	N/A	\$ 69,000

Increasing the bid threshold will allow smaller projects to be bid without the need for a bid bond or publishing a public notice to bidders, thus eliminating these costs to the project. The performance bond will remain a requirement at \$25,000 and the specifications and drawings will be required to be stamped by a registered architect, engineer or landscape architect if the project is determined to be a public improvement, regardless of the estimated value of the work.

## **Sales Tax Exemption Certificate for Construction Contracts**

The City's current procedure requires the contractor to include sales tax in their bid and, upon final completion of the project, the contractor submits a Contractor's Statement to the City. City staff then request a refund of the sales tax paid from the Department of Revenue.

On January 1, 2003, a change in the Iowa Code allowed the tax exempt certificate process as an option. At that time, the City evaluated its merit and decided to stay with the existing process. Since then, the tax exempt certificate process has become recognized as a standard form in construction contracts with public entities instead of the Contractor Statement process. The DOT, Mary Greeley Medical Center, Iowa State University, and the cities of Des Moines, Iowa City and Cedar Rapids currently use the tax exempt certificate process. In a recent survey, the City of West Des Moines was the only public entity contacted that continues to use the Contractor Statement process.

The Finance Accounting Division currently processes the Contractor's Statement submitted by the contractors. Experience has shown that some contractors struggle to complete the forms properly, which can delay close out of the project and the refund to the City of sales tax that did not need to be paid. Under the new tax exempt certificate process, each City department entering into a construction contract will be responsible to provide all the necessary details of the project and the list of contractors and subcontractors to the Purchasing Division, which will create the tax exempt certificates for the contractor's to use for the project. Contractors will no longer be required to submit a Contractor's Statement at the end of the project, and the City will not be paying sales tax and waiting for reimbursement after the close of the project. Additionally, City staff will no longer be responsible to obtain the Contractor's Statement at the end of the project.

**By making this change to the Sales Tax Exemption Certificate for Construction Contracts, construction bids are expected to be lower, excluding sales tax, and delays in project close out and in receiving the sales tax refunds will be eliminated. This revision is also a benefit to contractors, who will no longer need to pay administrative personnel to track the sales tax and prepare the forms for submission to the City.**

These specific areas of revision will improve the City's efficiency of the procurement process and administration of construction projects. A summary of proposed policy revisions is attached. The complete proposed manual is available in the City Clerk's office.

### **ALTERNATIVES:**

1. Approve revisions to the purchasing policies to be become effective November 1, 2012. Purchasing staff would immediately begin training users on policy revisions.
2. Do not approve revisions to the purchasing policies.

**MANAGER'S RECOMMENDED ACTION:**

The proposed revisions to the purchasing policies reflect new statutory limits and current practices on construction projects for public entities. These revisions will improve the City's efficiency of the procurement process and administration of construction projects.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving these revisions to the purchasing policies to become effective November 1, 2012.

## SUMMARY OF 2012 CHANGES TO PURCHASING POLICIES

**Section 1: Organization, Purpose, and General Guidelines:** No additional changes

**Section 2: Requisitions for Purchase Order:** No additional changes

**Section 3: Fleet Vehicles and Equipment:** No additional changes

**Section 4: Technology and Communications Purchases:** no additional changes

**Section 5: Specifications and Descriptions/Statements of Work:** No additional changes

### **Section 6: Bids, Quotations, and Proposals**

<b>Section</b>	<b>Subject</b>	<b>Description of Change</b>	<b>Comments</b>
6.04 A, B, C & D	Bid Threshold Amounts for Bids/Quotations and Proposals	Change bid thresholds limits.	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements.</b>
6.05	Types of Solicitations	Change footnote to the current bid threshold limits.	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements.</b>
6.12 D8	Changes to Contracts Awarded by City Council	Change bid thresholds limits.	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements.</b>
6.14 D5	Bids, Quotations and Proposals	Remove D5, "When required by the Code of Iowa or in the bidding documents, payment of retained funds will be further subject to the receipt of the Contractor's Statement of Sales Taxes. The City has chosen to pay sales tax on public improvements projects and to apply for a refund from the Iowa Department of Revenue and Finance. The Contractor shall pay sales tax on all construction materials and submit a "Contractor's Statement" on the appropriate Iowa Department of Revenue and Finance Form prior to release of retained funds."	<b>Reflects revision in the sales tax procedures for public improvements.</b>

**Section 7: Purchase Order-Receiving Report:** No additional changes

**Section 8: Emergency & Rapid Need Purchases:** No additional changes

**Section 9: Travel, Conference, & Training Expense:** No additional changes

**Section 10: Reserved**

**Section 11: Central Office Supply Store & Inventory Management:** No additional changes.

**Section 12: Disposal of Surplus Property:** No additional changes

**Section 13: Conflict of Interest Policies and Code of Ethics –** No additional changes

**Section 14: Procurement Card Program –** No additional changes

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## SUMMARY OF 2012 CHANGES TO PURCHASING PROCEDURES

**Section 15: Procedures for Requisitions or Purchase Order:** No additional changes

**Section 16: Procedures for the Purchase of Fleet Equipment:** No additional changes

**Section 17: Procedures for the Purchase of Technology & Communication Equipment:** No additional changes

**Section 18: Specification Guidelines & Procedures:** No additional changes

**Section 19: Procedures for Bids, Quotations, and Proposals**

Section	Subject	Description of Change	Comments
19.01 B & C	Determining if a Competitive Solicitation is Required	Change bid thresholds limits.	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements.</b>
19.04 D & F	Other Bid Requirements and Conditions	Change bid thresholds limits.	<b>Reflects statutory bid threshold limits raised by subcommittee for public improvements.</b>

**Section 20: Procedures for Purchase Order Receiving Report:** No additional changes

**Section 21: Procedures for Emergency & Rapid Need Purchases:** No additional changes

**Section 22: Procedures for Travel, Conference, & Training Expenses:** No additional changes

**Section 23: Section not used**

**Section 24: Procedures for Central Stores & Catalogued Inventory Management:** No additional changes

**Section 25: Procedures Relating to Conflict of Interest & Code of Ethics:** No additional changes

**Section 26: Procurement Card Program Procedures:** No additional changes

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**PUBLIC IMPROVEMENT BID THRESHOLD AMOUNTS**  
**Effective November 1, 2012**

**\$10,000-\$24,999**

<b>Description</b>		<b>City of Ames</b>
Public improvements		Written competitive bids or quotations

**\$25,000 - \$66,999**

<b>Description</b>		<b>City of Ames</b>
Public improvements, and repair and maintenance of public improvements, "horizontal"		Written competitive bids or quotations

**\$67,000 or more**

<b>Description</b>		<b>City of Ames</b>
Public improvements, and repair and maintenance of public improvements, "horizontal"		Formal sealed bids per <i>Code of Iowa</i> Chapter 26 and bid threshold subcommittee.

**\$25,000-\$68,999**

<b>Description</b>		<b>City of Ames</b>
Public Improvements, and repair and maintenance of public improvements, "vertical"		Written competitive quotes per <i>Code of Iowa</i> Chapter 26 and bid threshold subcommittee.

**\$69,000-\$124,999**

<b>Description</b>		<b>City of Ames</b>
Public improvements, and repair and maintenance of public improvements, "vertical"		Written competitive bids per <i>Code of Iowa</i> Chapter 26 and bid threshold subcommittee.

**\$125,000 or more**

<b>Description</b>		<b>City of Ames</b>
Public improvements and repair and maintenance of public improvements, "vertical"		Formal sealed bids per <i>Code of Iowa</i> Chapter 26 and bid threshold subcommittee.

## BID/PROPOSAL REQUIREMENTS

**Appendix 6-1**

<b>Note: Amounts are total project amount!</b>			<b>Professional Services Qualified by Experience or Technical Ability</b>	<b>Professional Services Qualified by License or Education</b>	<b>Special: Conflict of Interest Potential</b>
	<b>Commodities</b>	<b>General Services</b>			
<b>Bid Threshold Amount:</b>					
Less than \$10,000	Informal quotes when determined to be of a competitive nature and value is significant enough to result in savings				Sealed bids.
\$10,000-\$24,999	Written competitive quotes	Written competitive quotes	Same as above	Same as above	Sealed bids.
\$25,000-\$49,999	Written competitive quotes	Written competitive quotes	Written competitive proposals	Written competitive proposals	Sealed bids.
\$50,000-\$99,999	Written competitive bids	Written competitive bids	Written competitive proposals	Written competitive proposals	Formal Sealed Bids
\$100,000 or more	Formal sealed bids	Formal sealed bids	Written competitive proposals	Written competitive proposals	Formal sealed bids
<b>Award Authority:</b>					
Less than \$2,500	Using department	Using department	Using department	Using department	Purchasing, with recommendation from using dept.
\$10,000-\$24,999	Purchasing, with recommendation from using department				
\$25,000-\$49,999	City Manager				
\$50,000-\$99,999	City Council				
\$100,000 or more	City Council				
<b>Bid Security:</b>					
Less than \$2,500	none	none	none	none	none
\$10,000-\$24,999	none	none	none	none	none
\$25,000-\$49,999	none	none	none	none	none
\$50,000-\$99,999	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project
\$100,000 or more	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project
<b>Performance &amp; Payment Bond:</b>					
Less than \$2,500	none	none	none	none	none
\$10,000-\$24,999	none	none	none	none	none
\$25,000-\$49,999	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project
\$50,000-\$99,999	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project
\$100,000 or more	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project

Standard practice is formal sealed bids



## BID/PROPOSAL REQUIREMENTS

<b>Note: Amounts are total project amount!</b>			<b>Professional Services Qualified by Experience or Technical Ability</b>	<b>Professional Services Qualified by License or Education</b>	<b>Appendix 6-1 Special: Conflict of Interest Potential</b>
	<b>Commodities</b>	<b>General Services</b>			
<b><u>Publication of Notice:</u></b>					
Less than \$2,500	none	none	none	none	Required
\$10,000-\$24,999	none	none	none	none	Required
\$25,000-\$49,999	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	Required
\$50,000-\$99,999	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	Required
\$100,000 or more	When appropriate for project	When appropriate for project	When appropriate for project	When appropriate for project	Required